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DEPUTY

Case No. C20161761
HON. PAUL E. TANG

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IN THE SUPERIOR COURT OF ARIZONA
IN AND FOR THE COUNTY OF PIMA

RICHARD RODGERS; SHELBY MAGNUSON-HAWKINS; and DAVID PRESTON, Plaintiffs, vs. CHARLES H. HUCKELBERRY, in his official capacity as County Administrator of Pima County; SHARON BRONSON, RAY CARROLL, RICHARD ELIAS, ALLYSON MILLER, and RAMÓN VALADEZ, in their official capacities as members of the Pima County Board of Supervisors; PIMA COUNTY, a political subdivision of the State of Arizona, Defendants.	**Case No.:** C20161761 **PLAINTIFFS' RESPONSE TO DEFENDANTS' STATEMENT OF FACTS AND STATEMENT OF FACTS IN SUPPORT OF PLAINTIFFS' MOTION FOR SUMMARY JUDGMENT** (Assigned to the Honorable Paul E. Tang)

RESPONSE TO DEFENDANTS' STATEMENT OF FACTS

Plaintiffs respond to Defendants' Statement of Facts in Support of Defendants' Motion for Summary Judgment as follows:

1. Undisputed
2. Undisputed
3. Undisputed
4. Undisputed
5. Undisputed
6. Undisputed
7. Undisputed
8. Undisputed that section 1.4 of both agreements describes the launch pad as "publically available" but otherwise **disputed** because Plaintiffs contend that the launch pad is essentially private due to its use restrictions and the fact that World View maintains exclusive control over the launch pad. *See* Spaceport Operating Agreement § 4, attached to Defs.' Statement of Facts in Support of Defs.' Mot. for Summ. J. ("DSOF") as Exhibit 4. This dispute is ***not* a material issue of fact**, however, but instead raises a legal question regarding whether the contracts actually grant the public sufficient access and the County sufficient control as to render the launch pad "public."
9. **Disputed** that World View is required to operate the launch pad "as a public facility." This dispute is ***not* a material issue of fact**, however, but instead raises a legal question regarding whether the contracts actually require World View to operate the launch pad as a public facility. Undisputed as to the rest.
10. Undisputed
11. Undisputed
12. Undisputed
13. Undisputed

14. Undisputed
15. Undisputed
16. Undisputed that World View has exceeded the average annual salary requirement of $50,000—if that is what is meant by the statement that "World View's payroll has exceeded the requirement" but **disputed** to the extent that World View has not maintained 100 FTEs as required by section 4.1.1 and line 1 of Exhibit E of the Lease Agreement. This dispute is ***not* a material issue of fact**, however, as the parties have not asserted that this contractual requirement has a market value that is relevant to this litigation.
17. Undisputed
18. Undisputed except as to the figure of $1,235,000, which is a rounding error by Mr. Bradley. The original number is $1,235,688. Thus, it should be rounded to $1,236,000.
19. Undisputed
20. Undisputed
21. Undisputed in part. **Disputed** to the extent that Exhibit 13 does not refer to concessions **but *not* a material issue of fact**.
22. Undisputed in part. **Disputed** to the extent that Exhibit 13 does not refer to any value that Mr. Bradley did or did not assign to the launch pad **but *not* a material issue of fact**. Taxpayers acknowledge that the statement about roads and sewer lines is the County's opinion. However, Mr. Bradley clarified that the launch pad indeed has a value to World View despite it not having value in the market. *See* 6/17/19 Bradley Dep. attached hereto as Exhibit 1 at 76:24–77:23.
23. Undisputed to the extent that the County's summary of the deposition excerpts are essentially accurate. However, **disputed** to the extent that the excerpts ignore the context of Mr. Bradley's estimate of the "net future value of the subject property at the end of the encumbering lease." DSOF Ex. 15 at 1. The County chose to give its reversion to World

View, something Mr. Bradley has never seen in the market. There is no market for reversions because developers/investors always receive the reversion at the end of the lease. In this case, there is no reversion because World View can buy the property for $10 at the end of the lease. The property itself has value at the end of the lease, and that is the value Mr. Bradley estimated. He did so because World View receives that value at the end of the lease. Thus, Mr. Bradley's statement that there is no market for reversionary interest is irrelevant to this situation.

24. Undisputed
25. Undisputed
26. Undisputed
27. Undisputed
28. Undisputed
29. Undisputed
30. Undisputed
31. Undisputed
32. **Disputed but *not* material** as to the phrase "so that the present value of rent stream under the Lease-Purchase Agreement would probably be similar to the present value of a stream of market-rate rent." Taxpayers do not agree that this statement accurately represents Mr. Baker's statement.
33. Undisputed that Ms. Campagne performed these calculations.
34. Undisputed
35. Undisputed
36. Undisputed
37. Undisputed

STATEMENT OF FACTS

1. World View is a for-profit corporation that serves "commercial customers around the world" and seeks to initiate "private space exploration." World View intends to charge $75,000 for said private space exploration. https://worldview.space/about/#overview; Oct. 26, 2015, World View Press Release attached as Ex. 2 at 2.

2. On January 19, 2016, the County executed two agreements with World View: the Lease Agreement and the Operating Agreement. DSOF Exs. 3 & 4.

3. The Lease Agreement required the County to construct a build-to-suit facility customized with furniture, fixtures, and special equipment so that World View can manufacture its balloons. DSOF Ex. 3 §§ 1.1, 1.3, 5, 5.2–5.7; DSOF Ex. 10 § 4.

4. It also required the County to do so on an accelerated timeline because World View's decision to remain in Arizona was contingent upon the completion of the building by the end of the year. DSOF Ex. 3 § 1.3, 1.7.

5. World View exercised substantial control over the entire process. DSOF Ex. 3 §§ 5, 5.2–5.7; Jan. 9–10, 2016, Email string between J. Moffatt and C. Huckelberry attached as Ex. 3; Dec. 23, 2015 Letter to C. Huckelberry from J. Poynter attached as Ex. 4; Nov. 2, 2015, Memorandum to T. Burke from C. Huckelberry attached as Ex. 5; Oct. 23, 2015, Letter to J. Poynter from C. Huckleberry attached as Ex. 6.

6. The Lease Agreement also allows World View to purchase the building for $10 in 17 years, a building worth at least $14 million and which at that time will have at least 30 years of remaining utility. DSOF Ex. 3 § 6.3 & Ex. C; PSOF Ex. 1 at 83:13–21.

7. World View agreed to make lease payments on the building and to hire full-time employees. DSOF Ex. 3 §§ 4, 6.

8. The Operating Agreement required the County to custom-build a launch pad to World View's specifications—so that World View can launch its balloons—in exchange for World View's operation and maintenance of the pad. PSOF Ex. 4 at 2; DSOF Ex. 4 § 4.

9. The County borrowed $15,185,000 to fund the World View building and launch pad. The County will repay $19,444,134 (which includes interest) over 15 years. Oct. 28, 2016, Answer ¶ 3; DSOF Ex. 24 at 16, RFA 7; DSOF Ex. 7.

10. The County has restructured its existing public debt, which relies on public facilities as collateral, to obtain $15,185,000 from the U.S. Bank National Association ("U.S. Bank"). Answer ¶ 3; DSOF Ex. 24 at 16, RFA 7; DSOF Ex. 7.

11. The County will repay this sum, with interest, through "rent payments the County makes on the [County's own] facilities" over the course of 15 years. Answer ¶ 3; DSOF Ex. 2 at 4–5; DSOF Ex. 7.

12. The County has issued Certificates of Participation, Taxable Series 2016B ("Certificates"), in the principal amount of $15,185,000. Under this financing mechanism, the County makes rent payments on certain public facilities to U.S. Bank, which holds either fee title or a leasehold interest in the County facilities. Answer ¶ 3.

13. The County stated that it is "front-ending the capitalization of the [World View] building and facilities" and that it will "finance this facility." DSOF Ex. 2 at 4–5.

14. World View promises to repay this sum, with interest, "through annual lease and/or rent payments" to the County over the course of 20 years. *Id.*.

15. The County "is obligated to convey [the World View building] to World View after World View has made all its payments." DSOF Ex. 24 at 3–4, Resp. to Interog. 4.

17. The County elicited testimony from Taxpayers' expert that "[w]hen the seller holds the note, that basically means the seller [the County] has lent the money to the purchaser [World View] and the purchaser is paying the seller back over time"). Sept. 19, 2019, Deposition of James Bradley, attached as Ex. 7 at 62:22–63:14.

18. The Purchase Option within the Lease Agreement, which allows World View to buy the building for $10 at the end of the lease, obligates the County to convey the building to World View. DSOF Ex. 3 § 6.3 & Ex. C.

19. World View's rental payments are, in the County's words, "designed to ensure that Pima County [will] get back its investment in the construction of the World View Building." DSOF Ex. 24 at 11, Resp. to Interog. 14.

20. County Administrator Huckelberry stated: "[W]e need to review the various financing mechanisms that could be made available to finance this project and enter into a lease/purchase agreement with World View over a 20-year period where we would recover our capital outlay with interest." PSOF Ex. 5 at 1.

21. The County further admits that it "did not do a formal appraisal of market lease rates prior to execution of the World View Agreement." DSOF Ex. 24 at 12, Resp. to Interog. 15.

22. During lease negotiations with World View, the County explained that it "is taking a big risk for the first ten years of the lease," that the "lease payments for the first five years will be about *half* of the County's expected debt service on" the $15 million, that for "the next five years, there's still an annual deficit," and that during the next five years "the lease payments at least cover the annual debt service, but the County is still in the hole until virtually the end of the 20 year term." Jan. 11, 2016, Email chain between R. Nassen and D. Crawford attached as Ex. 8.

23. World View is not obligated to hire anyone from Pima County. DSOF Ex. 24 at 15, RFA 1.

24. Taxpayers' expert witness concluded that the fair market value of the World View building at the end of the lease (the "future value" of the "reversionary interest" in the property) is $16,800,000. DSOF Ex. 15 at 4.

25. The County's expert witness estimated that value to be $14,000,000. DSOF Ex. 19 at 22:3–17; 26:1–12.

26. In 17 years, World View can purchase a 142,000-square-foot building with at least 30 years of remaining life on a 12-acre parcel of land for $10. PSOF Ex. 1 at 83:13–21.

27. Taxpayers' expert concluded the present value of the reversionary interest to be $3,000,000. DSOF Ex. 17 at JSB02306; PSOF Ex. 7 at 35:1–15.

28. The County's expert estimated that value to be $2,500,000. DSOF Ex. 19 at 24:10–25:7.

29. The Lease and Operating Agreements state that the launch pad was required as part of the transaction. DSOF Ex. 3 §§ 1.3., 1.4, and 1.7; DSOF Ex. 4 § 1.4.

30. But for the agreements, the County would not have built the launch pad to World View's specifications. PSOF Ex. 4 at 2 (statement from World View CEO Jane Poynter: "The World View Headquarters, as specified during the proposal discussions and negotiation, will require a 700ft Launch Pad to be constructed in conjunction with the new building and to be operational no later than the time of moving into the new building.").

31. The amounts the County spent to build the launch pad and to acquire the land are $2,179,369 and $256,000, respectively. DSOF Ex. 6 at 3; DMSJ at 4.

32. Taxpayers' expert estimated the market value of the improved land to be $1.75 per square foot, which yields a value of $1,235,689 for the 16-acre parcel on which the launch pad is located. DSOF Ex. 15 at 49, 79. The County's expert estimated the market value of the land to be $1.95 per square foot, yielding a value of $1,376,911 for 16 acres. DSOF Ex. 12 at 44–45.

33. Under the Operating Agreement, World View has promised to maintain and operate the launch pad at its own expense. DSOF Ex. 4 § 4.

34. World View has reported that it may spend $12,800 annually to maintain the pad, an amount that is potentially offset by $3,685—the amount World View proposes to charge—each day that World View allows another company to use the pad. World View's Proposed Basis for Fee Calculation attached as Ex. 9.

35. To date, only one other company has used the pad, and it did so for a photo shoot. DSOF Ex. 24 at 4, Resp. to Interog. 6.

36. Pursuant to the agreement, the launch pad "may only be used by World View, and

by others with World View's oversight, for launching of high-altitude balloons and associated payloads." DSOF Ex. 4 § 4.1.

37. Additionally, "World View may charge other users a fee" and "may, in its commercially reasonable discretion, prohibit users who do not meet [World View's] criteria." *Id.* §§ 4.1–4.2.

38. The County admits that it did not intend to construct any launch pad before it entered into its arrangement with World View and that it would have never built the launch pad if World View had not required it. DSOF Ex. 24 at 16, RFA 4 & 5.

39. The County and World View agreed to make the launch pad "publically available" (as described in section 1.4 of both agreements) so that the County could get a grant from the Arizona Department of Revenue ("ADOT") to reimburse itself for the cost of the launch pad. *Id.* at 15, RFA 2.

40. The County never received this grant because, among other reasons, "ADOT representatives expressed concern that the Launch Pad was *not sufficiently 'public'* for purposes of grant eligibility." *Id.* at 7, Resp. to Interog. 11 (emphasis added).

41. The launch pad is a "special use improvement" and "beneficial to one [user]," World View, and not "to the community at large." PSOF Ex. 1 at 76:24–77:23. It is a special use improvement with "a use value to World View." *Id.*

42. The lease is below market for at least the first ten years of the agreement, as both experts agreed and as shown by the difference between the actual lease rates and the market lease rates. DSOF Ex. 19 at 31:24–32:1.

43. The County's expert concluded that the market value of the building is $14,000,000, while the market value of World View's payments is $11,725,000, a difference of $2,275,000. DSOF Ex. 12 at i–ii; DSOF Ex. 19 at 29:2–18.

44. Both experts agreed that the market value of what World View has promised to provide (lease payments) is at most $11,725,000. DSOF Ex. 12 at i; DSOF Ex. 19 at 35:1–7;

PSOF Ex. 7 at 36:4–39:21; PSOF Ex. 1 at 76:4–8.

45. Both experts agreed that it would be inappropriate to use a discount rate any lower than 6% or 7%. PSOF Ex. 7 at 39:22–42:14; Deposition of Thomas Baker attached as Ex. 11 at 38:6–12.

46. The County constructed a launch pad adjacent to the World View building, thus qualifying the facility for a GPLET exemption under A.R.S. §§ 42-6201 to 42-6210 because it will be "used for or in connection with aviation." DSOF Ex. 3 § 6.4.1.

47. The County has agreed "to cooperate with World View in pursuing any [legal] defense of the GPLET exemption." *Id.*

48. World View's founder and CEO expressed gratitude for the "economic development deal" World View has with the state while noting that the "country was built on public-private partnerships, dating back to the creation of our railroad network." May 25, 2016, Outline & letter from J. Poynter attached as Ex. 10 at 2, 3–4.

49. Mr. Baker conceded during his deposition that the market supports a rent escalator of 1.5% to 2%. PSOF Ex. 11 at 17:24–18:19.

50. Mr. Bradley estimated the property taxes for the World View building would be $191,782 in 2018 and $ 201,371 in 2019. DSOF Ex. 11 at 22.

DATED: November 13, 2019

Respectfully submitted,

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Exhibit 1
Excerpts from June 17, 2019 Deposition of James Bradley

In The Matter Of:

Rodgers v.

Huckelberry

James Bradley

June 17, 2019

Kathy Fink & Associates

2819 E 22nd St

Tucson, AZ 85713

520/624/8644

Original File 061719 Bradley.txt

it should be leased for, would it be reasonable to take into account a tenant that's already there?
A. Can you ask that question again, please?
Q. Yes. If you're trying to figure out what an unencumbered lease rate -- you're trying to rent out this property and you're trying to figure out what should it be leased at. So in a case like this, for example, we don't want to know the value of what World View is paying, we want to know what they should have been paying based on the market value of the property. So in a situation like that, would it make sense to evaluate -- to in fact evaluate what the tenant is actually paying under the lease?
MR. FLAGG: I'm going to object to form.
Go ahead.
THE WITNESS: What you're dealing with is you're dealing with two different interests. You're dealing with leased fee and fee simple. I did leased fee. That's what I -- I mean, fee simple. That's what I was asked to do. He was asked to do leased fee -- fee simple versus leased fee. He took into consideration the existing lease rate. I don't know if you did a lot of market analysis for leases. I didn't look at the report that closely. Very often if I'm looking at a leased fee interest, then I look at market rent and I find that my

property is being leased above or below market, then it takes -- I take that into consideration based upon the risk associated with that kind of lease agreement.
If it is a below market lease rate, then I have a tendency to understand there's a good probability that if this tenant would move out, I could find another tenant at a below market interest lease rate and re -- refill that property pretty quickly. If it's an above market lease rate, what I normally do is estimate what market is, provide a discount to that, and then the above market lease rate is then discounted at a higher rate for the perception in the marketplace that it is more risky than a standard market rate. So he did what he needed to do appropriately and I did what I did because of what I'd been asked to do.
BY MS. THORSON:
Q. Okay. So you're essentially saying he was asked to do something different than what you were asked to do?
A. Absolutely.
Q. Okay. Now, Mr. Baker's report was dated at a -- shortly after or right around the time that the World View property was complete and your appraisal was done more recently this year; is that correct?
A. Yes.

Q. Earlier I believe you said that the numbers would change if you had backdated it as Mr. Bradley -- Mr. Baker had; is that correct?
A. I would have used different information, yes.
Q. As far as you know, after examining all the information and looking at Mr. Baker's report, do you believe that the numbers -- the final numbers would change significantly?
A. I would normally not do this because I don't do appraisals without doing my research and analysis. If the cost information that was provided to me was similar, the only thing in my cost analysis that would have changed differently would have been I would have not used some appreciation factors I did when I analyzed the Marshall Valuation information and the land value might have been less because they could have used different information at that time. So in terms of the cost approach, it would be generally the same, but I can't tell you where it would be. It would not be higher. That's the one thing I could probably tell you.
In terms of the income approach, I don't know. I can't make that analysis because I haven't looked at the information developed. Same thing with the sales comparison approach. I don't really know. I can't answer that question in any detail.

Q. Okay. Looking at Mr. Baker's report, did you feel that it was a -- considering what he was asked to do, did you consider it to be a reasonable appraisal?
A. I looked at what he did. I mean, him taking the present value calculation to come to the income approach I think of about $11 million, I did run those numbers again and it appeared to me that his analysis was pretty consistent to how I would have looked at that.
In terms of the sales comparison and cost approaches, I mean, I really don't see there was any major differences. Of course, he only dealt with the building property and didn't include the launch pad property.
Q. Okay. We were also talking about special use improvements earlier.
Do you remember that conversation?
A. Yes.
Q. So I believe you said that the launch pad has no value because it's a special use improvement that simply isn't marketable to anyone else. Is that --
A. In the normal market situation, it's also called special use or limited use. There are so few people in that marketplace that it's essentially worthless or hard to determine any contributory value.
Q. Now, considering that the launch pad was built for this particular tenant in mind, would you say that the

launch pad, therefore, has value to this tenant?
A. Yes. That would be a special use.
Q. So just because it doesn't have value on the market doesn't mean that it has no value?
A. It has a use value to World View. That is not market value.
Q. And would you say that that is different from a value that a road or a sewer has to any particular person?
A. There is -- in my career, I've analyzed some very interesting properties, including the Tucson Community Center's convention center. I did that for the city of Tucson, Rio Nuevo. And I looked at that as part of an infrastructure improvement. For a community the size of Tucson, it made sense to have that improvement, special limited use, no market, nobody's going to buy it, but I believed it was an infrastructure part of the community needed.
When you're dealing with special use improvements like a launch pad, I don't believe necessarily that that is beneficial to the community at large. I think it's beneficial to one and possibly in this instance, based upon the information provided, partially to somebody else in the marketplace.
Q. And did you not consider the launch pad as valuable for purposes of your appraisal because you were

doing a fee simple interest?
A. Correct.
Q. And if you had been asked instead to do an appraisal that was directed toward the specific tenant, would you then have included a value for the launch pad itself?
A. It's an interesting question. I haven't thought that out yet. My -- my answer to that would be yes, I will probably look at that improvement as a specific benefit for that tenant that should have been taken into consideration in the lease rate; however, though, there would be no reversionary, no other value to it to another tenant, period.
So yeah, there might be some use value. I can't tell you what it would be, if it would be the whole 2.1 million that it cost to build or something less. I haven't analyzed that.
Q. Okay. Is this launch pad something like a build to suit-type of arrangement? Is it comparable?
A. Yeah. It was built to suit for World View, yes.
Q. And is the World View facility a build to suit type of transaction?
A. It is a build to suit transaction, but that part of the facility is adaptable to other use and users

over time.
Q. Is a build to suit generally more expensive than just a general building that you're leasing out to a general tenant?
A. A build to suit is typically more than a -- on a per square foot basis than a spec building, yes, speculative building, something that was being built to be leased.
Q. But that wasn't taken into consideration in your appraisal again because you were not evaluating it in that manner, instead you were doing the fee simple interest?
A. I was just doing fee simple of the property as it was build to suit, therefore, I took into consideration the higher amount of office space, the crane-way, the other improvements that were made which I felt had marketability, yes.
Q. Marketability to general --
A. To some other tenant.
Q. Okay. So then your appraisal did reflect a little bit higher of a lease rate because this was a build to suit?
A. Well, because of the finishes, the quality, 100 percent air conditioned, the larger office. Yeah, I mean, it's -- it's all taking -- all of the different

factors are taken into consideration, yes.
Q. Okay. Would you say that --
Well, let me skip that.
I want to go back to Exhibit 6 that we were looking at earlier, and also Exhibit 5.
A. Okay.
Q. And if you look at the last page of Exhibit 5, there's the columns of numbers reflecting the costs of the World View building. And I believe you said you were not given this information. Is that correct?
A. I don't recall it.
Q. And then for Exhibit 6, that was -- Exhibit 6 is the information you were given; is that correct?
A. I believe so, yes. That was included as an exhibit in my report.
Q. Okay. And if you compare the numbers on three -- on, I'm sorry, page three of Exhibit 5 with the numbers in Exhibit 6, and I can give you a few minutes to do that, are they very different?
A. They're $43,000 apart.
Q. And in which column are you --
A. The -- the information I included in my report is $43,224 higher. Yeah, $43,224 difference.
Q. Okay. Do you think that it would have made a significant difference if you had used the numbers

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provided in Exhibit 5?
A. It wouldn't have made any real difference, no.
Q. Okay. Why is that?
A. Well, because I took the -- I took the development costs I was provided and cross-checked them with Marshall Valuation Service, and then I reconciled in between the two numbers, so it would have been a nominal effect. I probably still would have reconciled to the $14.5 million number.
Q. Okay. And I think earlier we were talking about whether it's reasonable to make forecasts for 10 years, 15 years, 20 years, and I believe you said it's difficult to do so. Is that accurate?
A. Yeah. I mean, in terms of typical appraisal work, doing a forecast as to the value of -- reversionary value of a property 20 years from now becomes very difficult because I can't prove it except in 20 years, and so you use generally accepted appraisal principles to do that, at which point in time very often the marketplace will say at the end of it what's your assumed market rent, what is an assumed cap rate at that time to come up with a value minus expenses. It comes to a reversionary number discounted back, and then you can do some sensitivity analysis as to that of the future.
The other way you can do it is taking an

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existing value and saying it's worth X amount and throwing it 20 years in the future and saying if the property's not maintained, it's not probably going to change a lot of value, therefore, that's the reversionary value. I mean, there's different ways to do it.
Q. Okay. Speaking of the reversionary value, we were talking about it in terms of the purchase option.
Do you remember that?
A. Yes.
Q. Okay. And I believe you said that the purchase option has no market value to the owner and to a general tenant. Is that correct?
A. No. It has no value to the owner of the property in a leased situation. The ownership has transferred the reversionary rights essentially to the tenant in this instance considering the encumbered nature of World View. They have basically transferred the reversionary rights to World View at that point.
Q. And I know you weren't asked to determine a value for the purchase option, but does the purchase option have a value to the tenant?
A. The purchase option has a value to the tenant, yes.
Q. And you can't say what that is, but would that generally make the lease or the fee simple interest more

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valuable?
A. It wouldn't impact the fee simple value at all because we're not dealing with an encumbered property at that time. In the leased fee interest, it would have the ability in the marketplace to -- to depress the as is value. In terms of a 20-year lease, a reversionary value will contribute some to a current cap rate of current income; however, it's discounted so much that it's pretty marginal, but there is a positive influence.
Q. At the end of a 20-year lease as in this situation, if there were a reversionary interest, does that mean that the building still has some value?
A. The building as I analyzed it in my report has a -- has -- will be contributing value for 50 years. That's is its calculator estimated age -- I mean, economic age or life, economic life. At the end of 20 years, it will either be 20 years or plus or minus its effective age. So there would be 30 years remaining on the economic life of the building, so at that time, it should have value and should contain a lot of the value of the property as of today.
Q. Okay. So then if there were a reversionary interest, that means that the owner could then take the building and get more value out of it through a different lease or perhaps by selling it?

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A. Yes.
Q. And do you think that would be more than $10, the value?
A. I would -- I would say yes, it will be more than $10 that the property should be worth after 20 years.
Q. Okay. And then earlier we were also talking about that 25 percent number that you used across the board for the -- I believe it was six comparable properties.
A. Seven.
Q. Seven.
And Mr. Flagg asked why it is that -- he asked you a question about why you had chosen the 25 percent and whether you could have changed it, something to that effect, I can't remember exactly, but you said you couldn't answer his question.
A. I couldn't answer. I mean, I basically -- most of the time, when you're making adjustments, it's subjective. And in this case, it made it very difficult for me because some of them had zero, some of them didn't. But the effect is, is our -- the office build-out in our property was so much better than everything else that I'm aware of that I just said categorically it should be adjusted upward. Could I have made it different -- different amounts per each of the different sales, I could

Exhibit 2
October 26, 2015 World View Press Release

FOR IMMEDIATE RELEASE

MAJOR WORLD VIEW TEST FLIGHT READIES THE COMPANY TO BEGIN FULL SCALE FLIGHT TESTING FOR HUMAN PRIVATE SPACEFLIGHTS

Successful Completion of Flight Enables Next Stage of Full Scale Test Flights

Click to tweet: Major milestone for @WorldViewVoyage. Critical tech is proven and on track to carry you to #space. http://bit.ly/WorldViewMilestoneTestFlight

Page, AZ – Oct. 26, 2015 – World View, the commercial spaceflight company, has successfully completed a major milestone test flight this past weekend, keeping the company on track to meet its 2017 goal for private flights with passengers to the edge of space. This test flight carried a scaled down, replica spacecraft to a final altitude of 100,475 feet (30624 meters), successfully marking the transition from sub-scale testing to a historical next stage of development – full scale testing.

Download Photos Here: bit.ly/MilestoneTestFlightPhotos
Watch the Video Here: bit.ly/MilestoneTestFlightVideo

This sub-scale test flight demonstrated foundational technologies necessary for regular, operational flight, and proves that commercial flight to the edge of space via high-altitude balloon will serve as a viable and major form of transport in the emerging private space travel industry. The flight launched from Page, Arizona, one of the locations from where World View plans to fly Voyagers to the edge of space.

World View's Chief Executive Officer and Co-Founder Jane Poynter attributes the success to the incredible team of engineers at World View, many of whom were part of the StratEx Space Dive program that carried former Google Executive Alan Eustace to 136,000 feet beneath a high-altitude balloon in October 2014. "Our team is comprised of some of the best aerospace engineers in the world and they've achieved some major technological advancements in the last few months. Those efforts have resulted in new and innovative technologies that will, without a doubt, make private travel to the edge of space routine in the years to come. This test flight is symbolic of a major step towards a new era of accessible space travel for us all."

Before advancing to full-scale system testing, World View needed to combine two critical achievements from past milestone flights; high-altitude parafoil flight and full flight operations with a sub-scale payload. After months of innovation, design and component testing, this flight successfully achieved all objectives.

High-altitude ballooning technology has been around for decades, but developing a human-rated flight system to allow for a flawless launch, gentle ride and pinpoint landing required World View to innovate on existing technology. In particular, this test flight focused on demonstrating three key flight features:

- **Gentle Liftoff**– The balloon that will carry the World View spacecraft expands to around the size of a football stadium (or ~14 million cubic feet) when fully inflated so the method of routinely launching the Voyager flight system is a key enabling technology. The launch method for this successful test was the same as is planned for the World View Voyager flight system, and largely the same hardware that will be used for the upcoming full scale flights.
- **Seamless Transition**– The transition from balloon float at the edge of space to aerodynamic flight requires that the spacecraft detach from the high-altitude balloon and gracefully begin flying to the landing site. Making this transition smooth in the vacuum of near space is a key enabler for flights with passengers. Together with its partner United Parachute Technologies (world leaders and pioneers of innovative aerodynamic descent technology), World View has now developed and flight-tested protected intellectual property that will enable these improved transitions in the vacuum of near space, a critical milestone for routine human flight.

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- **Smooth Descent**– Thanks to the help of its partner MMIST, the global leader in precision aerial delivery, World View's spacecraft will use a high-tech aerodynamic descent system that will allow the pilot and flight team to land the spacecraft at a pre-determined landing strip. While the World View spacecraft will sail with the winds on ascent, the flight team and pilot will have full control on descent. This descent system was demonstrated and proven successful during this test flight, meaning smooth and accurate descent trajectories for future World View flights.

Chief Technology Officer and Co-Founder Taber MacCallum said, "While each individual system has been analyzed and extensively tested in previous test flights, this significant milestone allowed us to test and prove all critical flight systems at once.Now we're ready for the next major phase of development – full scale system testing."

World Viewwill now prepare for a series of full scale test flights in the months to come. These tests will use a flight test article with mass and aerodynamics equivalent to the World View Voyager spacecraft.

Commercial flights with Voyagers are scheduled to begin in 2017, when passengers will pay $75,000 each to travel to the edge of space and witness a sunrise against the curvature of the Earth and the blackness of space. The final capsule will be comfortably styled, offering Wi-Fi, a bar and a lavatory for Voyagers as they float along the edge of space for one-to-two hours at peak altitude of 100,000 feet.

About World View

World View is pioneering a new era of discovery at the edge of space via high-altitude balloon. World View offers a gentle, comfortable, and life-changing travel experience to the edge of space for private citizens; and affordable access to a range of near-space commercialization opportunities for researchers, private companies and government agencies. Available today for commercial flights for payloads only, and currently taking reservations for flights with passengers and private tours, World View is creating unprecedented access to the near-space environment. Watch the World View experience here. For more information, visit http://www.worldviewexperience.com. Follow us on Facebook and Twitter for real-time updates.

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For More Information
Katelyn Mixer/Natalie Mounier
Kirvin Doak Communications
702-737-3100
kmixer@kirvindoak.com /nmounier@kirvindoak.com

Exhibit 3
Jan. 9 - 10, 2016 Emails between John Moffatt and Charles Huckelberry

Chuck Huckelberry

From:	John Moffatt
Sent:	Sunday, January 10, 2016 8:59 PM
To:	Chuck Huckelberry
Cc:	Patrick Cavanaugh
Subject:	RE: top-level questions

I have restructured the cost spreadsheet to reflect splitting out the Launch Pad from the Building. This provides a basis to identify the cost of the launch pad as an incremental project above the cost of the building and should clarify the impact of the changes we made. I'm sorry this seems so complicated. There are still some numbers coming in, but they are easily covered by any contingency amounts.

The Worldview request for a lower rent due to any cost underruns is easily offset by pointing out that the incorporation of the Launch Pad and the land for that Pad in the deal clearly takes the total costs over the $15M base you used for the calculation of the rental rate. I created one spreadsheet from the other so they should balance but for some reason the Launch Pad sheet is a couple hundred thousand dollars less than the original consolidated version.

I have inserted some suggested on their questions below in GREEN for your consideration.

John

John - these are fine not much room on rent. because
a) land for launch site = $700K±
b) lost LGIP interest on our advance payment is $715K
c) we are going to build 700' dia pad no matter what + $1,000K
CHH

From: John Moffatt
Sent: Saturday, January 9, 2016 8:31 PM
To: Chuck Huckelberry <Chuck.Huckelberry@pima.gov>
Cc: 'Patrick Cavanaugh' <patrick.cavanaugh1@pima.gov>
Subject: FW: top-level questions

See inserts in red. They have asked for and gotten a private meeting with the Governor when he comes for the State of the State address on Tuesday. They plan to reiterate the theory that the Launch Pad Dollars was simply moving money from one pocket to the other. I told them that based on the conversation with ADOT on Friday, we got NO assurance of any faster availability of funding. That we were invited to get to the end of the line with the possibility that if some money was unused in an earlier year SOME might be available early, but that we should not count on it sooner than 5 years.

From: Jane Poynter [mailto:jane@worldviewexperience.com]
Sent: Saturday, January 9, 2016 5:26 PM
To: John Moffatt <John.Moffatt@pima.gov>
Cc: Maricela Solis <maricela@worldviewexperience.com>; Tony Di Bona <Tony@worldviewexperience.com>
Subject: top-level questions

John, thanks so much for the lease and the operating agreement, and for talking about the topics below. Here are a few top-level economic comments/questions that we should finalize soon in order to make the deadline.

1. 4.1.1 We would like to make the 100 FTE requirement start at the end of the first year and through the next four years. The building enables our hire this number of people. I thought this was reasonable. We should agree to this ✓ 1/11/16
2. 6.1 We would like to change the way the rent is stated. Instead of making it a square foot cost, let's make it a per month total amount. That allows us to slightly increase or decrease the total square footage of the building

(e.g. we change the size of the mezzanine) within the $14.5M. Told her the 200X600 footprint was fixed. She was focused on maybe a little more space on the mezzanine. I told her the $/ft was much easier to justify as below market rate. Also pointed out that the table in the Board Memo does not go positive until after year 15, so we are negative for a long time so did not see this happening. The table in the Board Memo is clear on rental and is the basic premise of your offer letter. We should leave it as is. Given how close we are to $15M in the cost model, any additional square footage would be more at risk for us.

3. 6.1 The current calculus of $5/foot etc. is based on $15M not $14.5. the rent amount should be reduced to reflect that (3.3%). Same answer as above. Also pointed out that we are STILL putting in the land for the 450' launch pad so that value really needs to be a part of the total cost of the project. Same as above, Given how close we are to $15M in the cost model, any additional square footage would be more at risk for us. When we add the land and cost to construct the Launch Pad, there is roughly $650,000 available for FF&E.
4. 6.1 We would like to add language that the rent will be changed to meet the total cost pro rata whether it goes up or down. Deferred on this one, but reiterated comments and others from the previous two questions. She is the hard nosed one. I do not feel we need to change the rate. Based on cost model, there is no reason to do this
5. 8.2 we would like to increase the amount from $100k to $250K for notification. Did not commit on this. Her thought was that on this size building, $100 is still not a large modification. Also pointed out it was our building and $100,000 is still a substantial change. Feel we should point out it is STILL our building for 20 years and this is a normal requirement in most leases. Will send this to Mike Hammond to get his opinion.
6. Please send us your most recent budget for the building so we can review it ahead of signing off on this. Told her it is still a $15M package when you add in the land for the launch pad. I will meet with Carter Monday to go over his sheet, not mine. This all ties back to her wanting to tie the rent to the total cost. No reason to not share the budget but Carter's worksheet is more definitive. The development of this building is the County's responsibility. We have agreed to share decision making on major changes, but we need to separate the rent from the detail line item costs.
7. We also need an estimate of taxes that we will need to pay (like rent tax and any other applicable taxes not included in the $14.5M). Patrick should have this. I told her that we could not confirm the GPLET tax rate as that was up to the City. She was focused on the Fees. Again, told her the Southland Impact Fee would be calculated by the City once the detail design was done – same for other fees. Also told her the City could not defer the Impact Fee. Those Fees will show up in the budget. Will Pass along Patrick's answer on the GPLET rate.
8. Jane wanted regular construction reports. Told her that we did monthly CIP reports, but reiterated what Mike Hammond said - they are renting a building at a specific rate that they felt to be advantageous to them. With a commercial lease, they would not have ANY visibility or control over the costs. See next item. Will refer this to Mike too.
9. Jane also wanted control over budgetary changes and the cost of those changes. She was not at the kickoff meeting but Brian Barker said that we were all working closely together to solve problems and there was a very reasonable contingency amount to work with. I reminded her that WorldView was going to be at these design discussions, just like Carter Volle will be there, to collaboratively decide on the cost/value of certain requests. I think we reiterate that she will have a representative in the meetings from day one and that is their seat at the table where we collaboratively make these decisions. it is our job to build the building once the design specs are developed.

I think taking away the dependency of the rent on the total cost will address many of these items.

Finally, Taber sent me an email needing to get a name for the SpacePort as it will bring high visibility across the World! "SpacePort Tucson" was one discussion item. I told him we would get back to him. He said it is our facility so he did not want to presumptuously give it a name. I am OK with SpacePort Tucson as it focuses news stories and potential tourism on Tucson which was their thought.

Thanks so much, John.

Exhibit 4
Dec. 23, 2015 Letter from Jayne Poynter to Chuck Huckelberry

WORLD VIEW

December 23, 2015

Chuck Huckelberry
Pima County Administrator
130 W. Congress Street 10th floor
Tucson, AZ 85701

Dear Chuck,

It is with gratitude, excitement and appreciation that I write to announce and inform you that after an exhaustive and competitive site selection process between Arizona, New Mexico and Florida, World View Enterprises, Inc has elected to call Arizona home and make it the world headquarters for the company. We therefore accept your Project Curvature Offer dated October 23, 2015 given the conditions in this letter derived from our work with the Pima County, Arizona Commerce Authority, Sun Corridor and the municipalities.

In light of on-going discussions and final contract documentation with the Arizona Commerce Authority, Pima County, the City of Tucson, the City of Page Arizona, Coconino County and the Sun Corridor, I am providing this letter to you as a contract point of reference to memorialize and ensure that both World View and all stakeholders have clear understanding of the terms, conditions and contract requirements.

Assumptions, Terms & Conditions for Project Curvature Contract Acceptance

Pima County Proposal:

World View accepts the Pima County proposal with the follow assumptions, contract terms and conditions. The company will move into a new building under lease contract with Pima County to be located at the Pima County Aerospace, Defense and Technology Business and Research Park by approximately November 2016. All launch pad expenditures including land and required improvements, grading, sealing etc. for the 700-foot diameter pad, appropriately spaced from the World View facility, will not be the responsibility of World View and will therefore not be included in the Pima County $15M building financing package. We agree that Swaim Associates will be the architect and Barker Morrissey the builder. Additionally, we agree to enter into a lease that meet the specified details State of Arizona as described below. World View understands that the operational date for the new facility is as of the effective date of the Arizona Commerce Authority contract thereby qualifying for the tax credit program for 2016 and beyond.

Further, World View expects that the Pima County Building Lease Contract will fully qualify for the Arizona Qualified Facility Refundable Tax Credit Program. World View will become qualified upon the effective date of the contract.

City of Tucson:

World View accepts the City of Tucson proposal including that that the City of Tucson will work with Pima County and private contractors to provide all required water infrastructure development.

Arizona Commerce Authority Proposal:

World View accepts the Arizona Commerce Authority proposal dated December 9th 2015 with the following assumptions, contract terms and conditions.

A. Launch Pad

The World View Headquarters, as specified during the proposal discussions and negotiation, will require a 700ft Launch Pad to be constructed in conjunction with the new building and to be operational no later than the time of moving into the new building.

It us our understanding that the Arizona Commerce Authority will assure that a Launch Pad construction project is funded in a timely manner in accordance with the overall building schedule to be completed in approximately November of 2016. All Launch Pad costs will be funded separately from the Pima County financing proposal for building construction.
While Pima County may be the owner of the Launch Pad, the Arizona Commerce Authority will assure that the launch pad is constructed and paid for. The launch pad is to be a facility for the general use of the Aerospace and Defense community and a business attraction for southern Arizona. As part of World View's building lease, World View will provide for the safe operation of the facility by entities wishing to use it for a variety of compatible purposes on an as-available and operationally safe basis.

B. Arizona Competes Fund

World View understands that the Arizona Commerce Authority will provide milestone payments that include CapEx. World View understand that the operational date for the new facility is as of the effective date of the contract there by qualifying for the Arizona Competes Fund for 2016 and beyond. World View expects that the Pima County Building Lease Contract will fully qualify for the Arizona Competes Fund.

Sun Corridor, Inc.:

Upon signature and acceptance of the proposed contracts by all parties, Sun Corridor will remain actively engaged so as to ensure contract support and compliance as necessary.

Contract Implementation, Schedule, Timing & Compliance:

World View anticipates being operational and 'fully moved in' to the new corporate headquarters in approximately November 2016. All jurisdictions will assure their terms and conditions are aligned to ensure that World View customer contracts and requirements are fully met. The World View Point of Contact for Contract Implementation will be Maricela Solis and can be reached directly at 520-850-5967 or maricela@worldviewexperience.com.

Finally, our team at World View is grateful to the Pima County, all stakeholders and supporters for helping the company decide to stay in Tucson. We look forward to working with you and our community to make southern and northern Arizona a prosperous globally recognized center for the rapidly growing commercial space industry.

To Your Stratospheric Success,

Jane Poynter
Chief Executive Officer

Exhibit 5
Nov. 2, 2015 Memorandum from C.H. Huckelberry to Tom Burke

MEMORANDUM

Date: November 2, 2015

To: Tom Burke, Director
Deputy County Administrator
for Administration

From: C.H. Huckelberry
County Administrator

Re: **Selection of Swaim and Associates for Possible Architectural Planning and Design Services Associated with World View**

Attached is a copy of a press release and an October 23, 2015 letter I transmitted to World View. World View is considering locations for their new manufacturing facilities, and Pima County is a finalist, along with several locations in Florida. It will be difficult to compete with Florida due to federal funding of repurposing missions associated with the shuttle. Nearly $40 million has been appropriated to Florida from the federal government for their Space Florida Initiative.

World View is currently located in Pima County, and they are transitioning from a research and prototype facility to a full production facility. World View would employ as many as 500 individuals at an approximate 135,000 square foot manufacturing facility.

In our initial meetings with World View, it is clear they had no structure regarding design and cost parameters for a new manufacturing facility. I suggested they work with Swaim and Associates Architects and Barker Morrissey Contracting to get a better idea of actual costs and cost components of their new manufacturing facility. They have now asked for a proposal to build such a facility at the Aerospace, Defense and Technology Research and Business Park; hence, my October 23 letter. World View is now refining the proposal to reduce the overall cost.

The purpose of this memorandum is two-fold. First, to inquire of you and the Procurement Director the most appropriate method to employ World View's project architect, Swaim and Associates, to complete the necessary design, planning, programming and construction drawings for a new facility if they choose Pima County to locate their headquarters.

Second, we need to review the various financing mechanisms that could be made available to finance this project and enter into a lease/purchase agreement with World View over a 20-year period where we would recover our capital outlay with interest. There are likely a number of financing mechanisms, including Certificates of Participation (COPs). However, it is likely because of their use, the COPs issue would be taxable.

Please review the financing mechanisms available to the County and ask the Procurement Director to make recommendations regarding a possible contract with Swaim and Associates for World View architectural services.

CHH/anc

Attachments

c: Dr. John Moffatt, Strategic Planning Director

Exhibit 6

Oct. 23, 2015 Letter from C.H. Huckelbery to Jayne Poynter

COUNTY ADMINISTRATOR'S OFFICE
PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

October 23, 2015

Jane Poynter, CEO
World View Enterprises Inc.
4605 S. Palo Verde, Suite 605
Tucson, Arizona 85714

Re: **World View Lease/Purchase Proposal**

Dear Ms. Poynter:

I understand World View desires to locate a manufacturing office/launch site for their business operations related to development of sub-orbital space flight using high altitude balloon technology.

The location for this proposed facility is in the County Aerospace, Defense and Technology Business and Research Park. The approximate location is shown in Exhibit 1 and includes approximately 28 acres of property off the newly constructed Aerospace Parkway.

A new building consisting of approximately 135,000 square feet is proposed for a manufacturing facility, which will contain a 25,000 square foot mezzanine and 10,000 square feet of open architecture office space. It is assumed the cost to purchase the property, build the facility, connect to all necessary utilities and provide minimal building fixtures, furniture and equipment will be approximately $15 million.

Pima County proposes that World View lease/purchase such a facility from the County in accordance with the rent schedule and payments outlined below. The schedule assumes occupancy of the building in 2017 and the term of the lease/purchase agreement to be 20 years, with rent graduating from the initial 5-year period at $5 per square foot to $12 per square foot at the end of the 20-year lease in 2037. The table below shows the incremental lease rates for the 20-year period.

Incremental Lease Rates, 20-year Period.

Lease Increment	Rate Per Square Foot
Years 1 through 5	$ 5.00
Years 6 through 10	8.00
Years 11 through 15	10.00
Years 16 through 20	12.00

The County would construct and finance the facility and lease it to World View in accordance the above rent schedule. In consideration of providing the facility to World View on a lease/purchase basis, the County would require the following employment and average income obligations over the term of the lease:

- Upon opening of the facility, employ at least 100 employees with an average annual salary of $50,000;
- at the beginning of the 5th year, employ 200 employees at an average salary of $50,000;
- at the beginning of the 10th year, employ 300 employees with an average annual salary of $55,000; and
- at the beginning of the 15th year, employ 400 employees at an average annual salary of $60,000.

The attached Exhibits 2 and 3 are an architect's concept rendering and a conceptual site plan for the proposed facility.

I look forward to discussing this proposal with you at our meeting on October 27, 2015.

Sincerely,

C.H. Huckelberry
County Administrator

CHH/anc
Attachments

c: The Honorable Ramon Valadez, District 2 Supervisor, Pima County Board of Supervisors
Dr. John Moffatt, Director, Pima County Office of Strategic Planning
Patrick Cavanaugh, Business Services Coordinator, Pima County Economic Development and Tourism

Exhibit 7
Excerpts from Sept. 19, 2019 Deposition of James Bradley

SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF PIMA

RICHARD RODGERS, et al., Plaintiffs,	)
v.	) NO. C20161761
CHARLES H. HUCKELBERRY, et al., Defendants.	)

DEPOSITION OF JAMES S. BRADLEY

Tucson, Arizona
September 19, 2019
8:55 a.m.

COLLEEN KELLY, RPR
CR #50386 (AZ)
KATHY FINK & ASSOCIATES, INC.
2819 East 22nd Street
Tucson, AZ 85713
Phone: (520)624-8644 Fax:(520)624-9336

Q. Okay. And in doing that calculation of the present value of that reversionary interest, did you come to any new conclusions or did it --

A. Well, the analysis that I did probably on the discounted cash flow method, just in short order here, indicated a similar value to what I did using the overall cap rate in the report, and the sales comparison and the cost approach, those all sort of came together, and this provided a similar indication. So it was generally in line with the methodology and the scope of the analysis all the way around.

The reversionary value based upon the cash flows of the market rent through the end of the current lease, based upon my analysis, was about 3 million dollars of that reversionary value and present value.

Q. Okay. Now, we know that -- or I would -- do you agree that Mr. Baker, when he performed his leased fee analysis, he did not include a reversionary interest?

A. He did not.

Q. And as far as you know, why not?

A. Because, it's my understanding, it's been a while since I read all of the encumbering documents, at the end of the lease, the 20-year lease, Pima County would essentially sell the property to the tenant for $10. So when you're doing -- there would be essentially no reversion at that point. So that's Mr. Baker's -- or Mr. Baker's report was appropriate in not including a reversion at that time.

Q. So do you think that the number that he came up with for the leased fee interest was appropriate?

A. I can't say that because I haven't gone through and provided a full review of that. I mean, it could actually be high, because, if I remember correctly, he used the same going-in overall rate he used in his capitalization method of seven percent, he used that also in his cash flow analysis. And they may -- that may not be appropriate, given the methodology typically includes a factoring for going-out terminal rate and some other stuff. So I don't know if it's true or not.

Q. Do you agree generally that the leased fee interest is less than the market value calculations that both you and Mr. Baker determined?

A. Yes.

Q. And why is that?

A. Because, number one, there's two different factors in my analysis. The one factor is that the rental rate is weighted to the end of the lease term, so initially the lease rate is below market, whether it's my rate or the rate that was included in the other appraisal report, and they made up for that over the period of the lease, so that only in like year 16 or 17 have they actually gotten to the point where the rental rate is where it should have been in total, but when you use a present value factor on those cash flows, it means that the whole thing has been affected by that.

Then the other part is, of course, that there is no reversion. Those are the two components that make that value that he developed for the leased fee interest lower than market.

Q. Okay. And in using the -- in calculating the leased fee interest as well, using that discount factor of 7 percent means that the value of that interest will be lower if you use a -- I guess my question is, if you use a lower discount rate, then the value of the property will be higher?

A. Correct.

Q. If you use a higher discount rate, the value of the property will be lower?

A. Very often in a discounted cash flow analysis, you take your initial terminal -- your initial going-in cap rate and increase it over time to reflect any increases in rental rates or uncertainty in the market. So when I'm doing a seven percent cap in a capitalization approach today, I've taken in all the factors and everything else. When I'm doing a discounted cash flow, I normally have increased it, which is what I did in my analysis when I'm dealing with the reversionary value. There is some more uncertainty over the longer time in the cash flow. It's just how the market works.

So very often that seven percent rate could be higher, and that would have a negative influence or a downward influence on the leased fee interest calculation, as contained within the original Baker report.

Q. So you, if you were to review Mr. Baker's leased fee analysis, you might use a higher discount rate?

A. Well, I have a tendency to be a little bit more conservative because of the uniqueness of this property, in terms of its design and location and that kind of stuff, and that's just even reflected in the difference between his report that included a seven percent overall cap rate going in and mine at an eight percent cap. I was higher because I was also higher on the rent, which is little bit more risky. So those are things that balance out. If you use a lower rental rate and a lower cap rate, the value of the whole property is going to be similar, which he mentions, to what I did.

I mean, overall the leased fee interest is lower, but the fee simple between our reports is reasonably comparable. And that reflects his lower rent rate, his lower cap rate, and my higher rent rate, my higher cap rate. You know, it's our opinions, is what this amounts to, and our reflection of what we think the market is.

Q. But you're saying essentially they balance out, because even though you use the higher rent rate, you also use the higher cap rate?

A. Correct.

Q. And that's why your values seem to be similar?

A. Correct. I have gone to places where two appraisers come from different approaches and end up at the same end result. And essentially that's what we've done here, I believe, in general. There's always nuances and differences a little bit, but, I mean, I don't disagree necessarily with what he did in terms of his fee simple analysis. I don't know, because I really haven't reviewed his leased fee, but I know from a fee simple basis, it really hasn't made a lot of difference between a value of 2016 or a value in 2019 fee simple, really didn't make much difference.

Q. Okay. Now, back to this seven percent discount rate that Mr. Baker used for the leased fee interest, you may have gone higher, maybe, maybe not, maybe you would have used the seven percent, but would you go lower than

that, would you use a six percent or a five percent --

A. Not on this property.

Q. -- or a four percent?

A. Not on this property and not with the location, the location in Tucson, the location in a very rural undeveloped area of the Tucson market. I mean, I talked to a couple brokers that said -- they said World View, and he goes, oh, my God, that location's terrible for typical people.

I mean, that's what I talk to the market about. And so I have a tendency to be a little bit more conservative on that, which is what the cap rate is. And if I was doing a discounted cash flow of the whole thing, which I did yesterday, I used a discount rate, which is equal to the going-in capitalization rate, plus the rate of change for the rental rates, to equate to a discount rate of 10 and a half percent. That's the normal standard relationship when you're looking at a long-term lease.

Q. Before, after -- well, before I ask my next question, did you want to share the calculations that you did?

A. Well, I can share them. I did a valuation of the present value of the whole income stream based upon my analysis in the original report and then I did the present value of the reversion. So I can share --

MR. FLAGG: Can we mark that?

THE WITNESS: You can mark that.

MS. THORSON: Yes. I'm sorry I don't have copies. I haven't seen that.

MR. FLAGG: Would it be okay if I took a break and I went and make copies?

(Recess taken from 9:50 a.m. to 9:53 a.m.)

(Exhibit Number 3 marked.)

Q. (By Ms. Thorson) Back on the record.

The next question I was going to ask, and I suspect we will come back to this sheet, but before I forget, we were talking about the discount rate was the appropriate discount rate to use, and what is the lowest discount rate that you would use to value the income stream from the World View lease?

A. Fee simple or leased fee?

Q. Leased fee.

A. I have a real difficult time. I haven't done that research. But in terms of quality of tenancy, Word View is essentially a new entity that had no real credit, it had no real basis from a larger market, how they would analyze it. It's not like it's a Monsanto or a Proctor & Gamble, whose got a lease on this kind of a property. So I really couldn't say for sure. I haven't done that work.

Q. **Okay. But Mr. Baker did use seven percent?**

A. I believe he did, if I remember correctly.

Q. **I have his appraisal if you wanted to look at it.**

A. I'll just go with I think that's what he used.

Q. **Okay. And seven percent, though, is reasonable?**

A. It may or may not be. I didn't look at it that way. I mean, if you look at my information, I would have probably used an eight percent discount rate.

Q. **But again you wouldn't go lower than seven percent?**

A. No, I would not.

Q. **For your present value calculation that you did for the reversionary interest of the World View lease --**

A. No, this is not the World View lease. I didn't do that in this thing. This is market.

Q. **The property. That's right.**

A. The property, not the lease.

Q. **Sorry about that.**

This is the present value of the reversionary interest of the World View facility?

A. Correct.

Q. **In today's dollars?**

Q. Okay. And that's been a source of my confusion for a while now.

A. That's fine. I mean, I am not perfect. I can work with these things.

Q. Well, I think --

A. Everyone's confused on a lot of this deal.

Q. Well, and I'm far from perfect myself, and I would just like to take a shot at.

A. And if necessary, I will change it --

Q. Okay.

A. -- based upon reviewing all of the information again.

Q. And if there are material changes, then maybe we will be back here.

A. I will let you know.

Q. But I appreciate that.

So again then, I'm just doing math here, which is always dangerous for me, but if we're talking, if the end date is 2036, that would be 17 years from now; right?

A. Correct.

Q. I asked you earlier if you had ever seen a situation in which the property sold and the seller holds the note, and you said yes?

A. Yes.

Q. What did it mean to you to have the seller hold the note?

A. If the seller holds the note, it depends upon the terms of the lease -- I mean, the terms of the sale, it can have a positive influence or negative influence upon a cash equivalency of that property, of that sale transaction.

Q. I'm asking an even more basic question than that.

When -- and I'll just ask it in a leading way. When the seller holds the note, that basically means the seller has lent the money to the purchaser and the purchaser is paying the seller back over time; right?

A. Correct.

MR. FLAGG: Okay. That's it. We're done.

(The deposition concluded at 10:23 a.m.)

Exhibit 8

Jan. 11, 2016 Email from Regina Nassen to David Crawford

Marilee Weston

From: Regina L. Nassen
Sent: Monday, January 11, 2016 4:02 PM
To: 'Crawford, David'
Subject: RE: Contact Info

Also, it's fine to make the initial employment requirement kick in at the one-year mark. And I think you can just take out any references to a 450-foot launch pad; I gather my client is now willing to build the 700-foot pad, despite the fact that the County is—in my estimation, and for various reasons—extremely unlikely to ever see dime one from the State. You might want to add something about your client being able to name the facility, subject to County's approval, which won't be unreasonably withheld. Finally, John Moffatt, after the call, mentioned something about it being problematic to conduct any operations on the Premises that create a strong electromagnetic field; apparently something to do with Raytheon. I have no idea how strong is too strong (other than the thingamajig that they used in the movie Ocean's Eleven to black out Las Vegas), or what types of activities this could impact. If you client representatives have any insights on what this issue is, and could propose some language to add, that would be great. If it's too vague, and this makes no sense, I'll push John to get more info. Thanks, David.

From: Regina L. Nassen
Sent: Monday, January 11, 2016 3:25 PM
To: 'Crawford, David'
Subject: RE: Contact Info

Thanks, David. A few points, after today's meeting:

- County is NOT flexible on the lease rate. The cost estimates are, we believe, very solid. If the cost of the building comes in a little below the estimates, I suspect WV can come up with a few more fixtures to install. And, as noted, the County is putting a couple million into construction of the launch pad; granted, that won't get deeded to your client, and remains the property of the County, but having it there is a big benefit nonetheless, all with no capital investment or risk for your client.

  Finally, on the flip side, the County is taking a big risk for the first ten years of the lease, and won't be paid off until considerably later than that. The lease payments for the first five years will be about *half* of the County's expected debt service on the COPs the County plans to issue to get the funding for the building construction. For the next five years, there's still an annual deficit. After that, the lease payments at least cover the annual debt service, but the County is still in the hole until virtually the end of the 20 year term. (And please note that Governor Ducey just appointed the head of the Goldwater Institute to the Arizona Supreme Court. To a hammer, everything looks like a nail; to Clink Bolick, everything looks like a violation of the Arizona constitution's anti-gift clause. So we don't particularly want to invite a legal challenge by giving WV an even better deal than it is already getting.)

- I think the County will be okay with an early buy-out option. The trick will be calculating the purchase price. I felt it would make sense to make the price equal to the present value of all remaining lease payments, calculated using a rate at that time being earned on investment pools managed by the State Treasurer of Arizona, which is representative of the rate at which the County could actually invest the funds. Given the low discount rate, I don't know how attractive that would be for your client. And the County Administrator was concerned that the County still wouldn't be made whole. See what you can come up with.

- I don't have a problem with a formal work letter. I did not do one in this case because the building is relatively simple and Swaim has been working on preliminary designs even without a contract in place. As a result, design is likely to be pretty well finalized by the time everyone approves and executes the contract, and subsequent changes to plans require the approval of both parties. That being the case, I didn't feel it was worth the brain damage. But, again, something more detailed is fine.

- I have no problem restricting landlord access; that provision was pulled from another lease and, although I paused briefly over it, I ultimately didn't take the time to customize it. If you do, that's fine.
- There needs to be some actual remedy for failure to meet the employment and salary commitments; that's important politically and might be helpful, legally, if there is a gift clause challenge to the initial low lease rates. At some point, if the County's expectations haven't been met, it will be time to pull the plug and re-purpose the asset for some other economic development deal. I didn't put any monetary penalties in there, because that seems counterproductive if WV isn't doing well financially. You may want to try allowing for some sort of cumulative payroll calculation, so that if WV exceeds expectations at first, it has a cushion to soften a subsequent temporary bump in the road. But just meeting and talking about it won't cut it. Your client has to take some risk here.
- Building improvements – we can probably bump up the initial approval threshold a little (not to $250,000) and increase it periodically.
- Finally … let's *try* to keep the language and the concepts reasonably straightforward. As you can see from the initial draft, my style is fairly pithy; I eschew the inherently ambiguous "shall" and stay clear of legalisms like "hereinbefore." I once received a lease draft to which opposing counsel had added "to wit." I knew it would be a long haul. :o)

I look forward to working with you, David; please feel free to reach out with any concerns.

Regina L. Nassen
Deputy Pima County Attorney
Pima County Attorney's Office
32 North Stone Ave., 21st Floor
Tucson, Arizona 85701
Direct Line: (520)740-5411
Cell Phone: (520)400-4818
regina.nassen@pcao.pima.gov

From: Crawford, David [mailto:dcrawford@cooley.com]
Sent: Monday, January 11, 2016 1:53 PM
To: Regina L. Nassen <Regina.Nassen@pcao.pima.gov>
Subject: Contact Info

Thanks!

Also, cell: 858.436.5896

David L. Crawford
Cooley LLP
4401 Eastgate Mall
San Diego, CA 92121-1909
Direct: +1 858 550 6188 • Fax: +1 858 550 6420
Email: dcrawford@cooley.com • www.cooley.com
Admitted in Washington only

Exhibit 9
Proposed Bases for Fee Calculation of Spaceport Usage Fees

DRAFT Proposed basis for fee calculation of Spaceport Usegae fees

Spaceport Tucson incured maintenance and upkeep costs

Item No.	Description and frequency	Cost	sub totals		Item No.
1	Insurance premium (annual)	$4,000	$4,000		1
2	Landscaping and brush removal each mth	$500	$6,000		2
3	Perimiter inspection each mth (2 x $100/hr)	$200	$2,400		3
4	Upkeep and repair		$2,000		4
5	Sweeping of pad each quarter	$600	$2,400	TOTAL	5
			$12,800		

Spaceport

Tucson Usage Fees (minimum per day)

Description	Daily charge	
Maintenance costs (pro rata)	$35.07	
Supervising Personnel (at least 2 * 10hrs/day)	$2,000	
Utilities (Reasonable Power, sewage, waste disposal)	$50	
Pad cleaning fee per use	$600	
Application Fee (covers responding to inquries, adminstration and coordination of application)	$1,000	
	$3,685	TOTAL

Exhibit 10
Outline & Final Letter from Jayne Poynter to Mr. Crown

From: Andrew Antonio <andrew@worldview.space>
Sent: Wednesday, May 25, 2016 8:36 PM
To: Mark B. Evans (Communications)
Subject: Fwd: CEO response to grossly misstated LTE
Attachments: Jane Poynter WSJ Letter (003).docx; ATT00001.htm

FYI... Below is the email and final letter Jane sent to the WSJ.

- Andrew

Begin forwarded message:

From: Jane Poynter <jane@worldview.space>
Date: May 25, 2016 at 7:42:27 PM MST
To: Andrew Antonio <andrew@worldview.space>
Subject: FW: CEO response to grossly misstated LTE

Jane Poynter
520.271.8686

From: Jane Poynter
Sent: Wednesday, May 25, 2016 7:41 PM
To: 'edit.features@wsj.com' <edit.features@wsj.com>; 'wsj.ltrs@wsj.com' <wsj.ltrs@wsj.com>; 'wsjcontact@wsj.com' <wsjcontact@wsj.com>
Subject: CEO response to grossly misstated LTE

To whom it may concern,

I'm the founder and CEO of World View, a commercial spaceflight company which found itself at the center of a LTE on the homepage of your "opinion" section today online. The piece was titled "***When Taxpayers Carry All the Risk***." I've written a letter to the author of that opinion piece (below and attached) and would appreciate the opportunity to publicly respond. It was unfortunate that our company was grossly mischaracterized in the opinion piece, which this piece hopes to rectify.

Thanks in advance for your consideration.

Respectfully submitted,
-Jane Poynter

Dear Mr. Crown,

I am thrilled to hear you might fly on a World View Voyage someday! We're pioneering a new era of access to space and we depend on our early adopters to help us make the vision of private space travel a reality. So thank you for your help! Our spaceflight experience will be one of the most accessible, affordable, and life-changing travel experiences. (By the way, the luxury experience market is one of the fastest growing markets in the world.) We'll offer private citizens like you an indescribably beautiful and perspective-shifting view that could have a profoundly positive impact on your life, using our safe and reliable technology platform. Once on board our comfortable capsule, our Chief Pilot, Astronaut Ron

Garan, will surely regale you with heart stirring stories of his time on the International Space Station as he gazed upon our home planet in the blackness of space.

As thrilling as it is, private space travel is only one small part of what we do.

We are also one of the world's leading commercial high-altitude flight providers. We routinely fly scientific and commercial payloads from Arizona to near-space for organizations like NASA. We've been doing that for years, dating back to our record-breaking StratEx Space Dive. Our World View team led a program to carry Google Executive Alan Eustace 136,000 feet above Earth to develop a system that would allow more routine exploration of the stratosphere. StratEx equipment will soon be on permanent display at the Smithsonian's Air and Space Museum. Technologies developed for Alan's human-tended flight program are now performing the simpler task of taking un-crewed scientific payloads to near space.

What's even more exciting is the technology platform we just introduced last month, and that attracted investment from Norwest Venture Partners and Canaan Partners, two of the most trusted venture firms in Silicon Valley. Our team has developed a way to give the space industry something it has sought for decades– high-altitude persistent flight over specific areas of interest for long periods of time. We call them Stratollites. Think of them as geo-stationary satellites that operate in the *stratosphere* via high-altitude balloon. Stratollites open the door on a range of applications that were previously either impossible or prohibitively expensive.

For example, our Stratollites could help aid disaster recovery or first response by rapidly delivering critical communications systems in anticipation of or immediately following natural disasters. Or they can fly directly into weather systems over remote parts of the world to capture real-time in-situ data for research and forecasting. Or maybe they'll help deliver Internet service to citizens of developing nations. The possibilities are endless. But one thing we know for sure is that we're at the forefront of a burgeoning stratospheric economy, and Stratollite technology is poised to change the world in ways we haven't even imagined yet.

As for the economic development deal we have with the State of Arizona, I'd like to say that we're grateful to have support from leaders all across our state, including the Governor. We received and reviewed competitive economic incentive packages from several states across the nation, and ultimately chose Arizona's package. This country was built on public-private partnerships, dating back to the creation of our railroad network, with countless success stories along the way. We're thrilled to call Arizona home, where we are building a whole new industry while extending the United States' long and storied history of technological leadership.

Sincerely,
-Jane Poynter
CEO, World View

P.S. Seriously... Call me and we'll get your spaceflight reservation squared away ASAP!

Jane Poynter
CEO, World View
520.271.8686
www.WorldView.Space
Follow us on Facebook & Twitter
Note: My email address has changed. Please update it to Jane@WorldView.Space

Dear Mr. Crown,

I am thrilled to hear you might fly on a World View Voyage someday! We're pioneering a new era of access to space and we depend on our early adopters to help us make the vision of private space travel a reality. So thank you for your help! Our spaceflight experience will be one of the most accessible, affordable, and life-changing travel experiences. (By the way, the luxury experience market is one of the fastest growing markets in the world.) We'll offer private citizens like you an indescribably beautiful and perspective-shifting view that could have a profoundly positive impact on your life, using our safe and reliable technology platform. Once on board our comfortable capsule, our Chief Pilot, Astronaut Ron Garan, will surely regale you with heart stirring stories of his time on the International Space Station as he gazed upon our home planet in the blackness of space.

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Sincerely,
-Jane Poynter
CEO, World View

P.S. Seriously... Call me and we'll get your spaceflight reservation squared away ASAP!

Exhibit 11
Excerpt from Sept. 20, 2019 Deposition of Thomas Baker

In The Matter Of:

Rodgers v.

Huckelberry

Thomas Baker

September 20, 2019

Kathy Fink & Associates

2819 E 22nd St

Tucson, AZ 85713

520/624/8644

Original File 092019 Baker.txt

Min-U-Script® with Word Index

building were extensively -- it could have an age that's older but have been extensively remodeled to modernize the building, in which case it would have modern features and be in much newer condition, and then it may lease somewhat more similar to a newer building.
Q. Okay. Mr. Bradley believes that the building has a 50-year life.
Do you agree with that?
A. Yes.
Q. And so at the end of 20 years, that building still can generate income; is that correct?
A. Yes.
Q. You're just saying that the rental rate for that building would probably be lower?
A. I'm just saying it's speculative to say that the rental rate will continue to go up at two and a half percent, because of the real estate market, there are fluctuations in the real estate market, and because the building would be 20 years old at that point in time, and depending on the maintenance of the building and the functional utility of it that at that time, it's difficult to project out what that future rent would be, is what I'm saying.
Q. So then are you saying that the market does not support a rent escalator?

A. I'm not saying it does not support a market -- a rent escalator, what I'm saying is I believe, if I were doing it and looking at projecting it out, I would not use more than a two percent increase, I would probably use between a one and a half and two percent, given 20-year terms. I mean, leases are often done at two and a half percent, they're done at anywhere between two and two and a half percent in the current market, and -- but generally those terms of those leases are not more than 10 years. So if you're talking about extending out 20 years into the future, then it's likely that somebody is going to want, at the lower end, maximum at the lower end of two percent increases that we see in the current market, and potentially even a little bit less than that of what they would project what their rates would increase over that longer term.
Q. So you're saying that the rent escalator should be one and a half to two percent tops?
A. Yes.
Q. Mr. Bradley refers to the PWC survey on page two of his Addendum.
Do you recall that?
A. Yes.
Q. Does that survey support his rent escalator?
A. I haven't looked at that survey. I can only

tell you, based upon my discussions with market participants, if you look at my actual leases, that I have in looking at leases in the marketplace, as I said, they generally range between two and two and a half percent annual increases, that's what's being done in the Tucson market, and longer term is not generally -- there's one lease, the Chamberlain lease, which Mr. Bradley used, and I also used, that was a 15-year lease and had two percent annual increases. So, as I said, the longer the term, the more likely it's going to be not exceeding two percent annual increases.
Q. But you didn't look at that PWC survey that Mr. Bradley referred to?
A. No.
Q. And why not?
A. Because I'd rather -- that's based upon national surveys. I look at the Tucson market as a much better indicator.
Q. So that survey doesn't cover regional, a regional area?
A. It covers national and regional, but, once again, I'm looking at the Tucson market.
Q. Okay. Does a 20-year lease ever include a rent escalator just to keep up with inflation?
A. Yes.

Q. And does that fall into that one and a half to two percent range?
A. Yes.
Q. Now going to page 5 of your report. The second paragraph reads, "Mr. Bradley has incorrectly calculated his period one rental rate (page 2 of Mr. Bradley's addendum letter".
And can you explain what was the incorrect calculation?
MS. THORSON: Oh, I haven't introduced that. Sorry. The next exhibit.
(Exhibit Number 4 marked.)
A. So if you look at that little chart on the bottom of the page.
Q. (By Ms. Thorson) Yes.
A. He gives a 2019 rent of $1,331,460.
Q. Uh-huh.
A. His estimate of market rent for the year, because he's doing his appraisal dated, the date of his appraisal was 2019, I don't remember the exact date, but I think, April something, maybe it was June something. He gives a market rent conclusion of $1,191,011. So I don't know where the 1,331,000 comes from, because he's stated previously that it's 1,191,000. So these figures start out at a high number and, therefore, would not be

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yield rate, or discount rate."
Is that correct?
A. Yes.
Q. Okay. And so the market data that you used to derive your discount rate is in the following paragraph; is that correct?
A. Yes.
Q. Following two bullet points, I should say?
A. Yes.
Q. And then it says, "According to RealtyRates, the Fourth Quarter 2016 discount rate range for climate controlled/manufacturing new development ranges from 5.80 percent to 14.46 percent, with the average being 10.42 percent."
Is that correct?
A. Yes.
Q. Okay. So regarding the 5.80 percent, why would the discount rate not be lower than that?
A. Why would it not be lower than 5.8 percent?
Q. Yeah.
A. Because the market would not reflect anything lower than that.
Q. And why wouldn't it be higher than 14.46 percent?
A. Because, according to these surveys, that's the

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highest rate that they're finding in the marketplace.
Q. And the average is 10.42 percent. Is that because this is a national rate?
A. Yes, it's a national -- it's a publication of national surveys.
Q. Okay. So then below you explain that based on the local data, that market par -- quote, "market participants indicate that an appropriate capitalization rate would be in the high six percent to low seven percent range, with a similar discount range."
Is that correct?
A. Yes.
Q. And you say, "While discount rates may be higher than capitalization rates, they indicate that the rates would be similar for the subject due to the lease terms."
Is that correct?
A. Yes.
Q. And can you please explain what you mean by "due to the lease terms"?
A. Well, just in terms of the -- in talking to the brokers and explaining here's the circumstances of the lease, it goes out 20 years, here's the rental rates, in general, and discussing it, they indicate that they feel that both in terms of my talking to them in general about

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capitalization rates and discount rates, that they felt that it would be a similar rate that you would utilize.
Q. Now, taking all that into consideration, the appropriate discount rate you feel the seven percent, and then the value of the lease payments, you concluded that the leased fee interest is $11,725,000; correct?
A. Yes.
Q. Now, if we compare that to pages 47 through 52 of your appraisal, where you also use the income approach, the number that you yield is different; correct?
A. Yes.
Q. And you explained why before, I think, but just to, you know, understand this, I'm going to go ahead and ask these questions that I have here. I think I understand it, but, you know, I'm sorry if this gets repetitive.
So on page 47, you discuss the income approach for the fee simple analysis. It says, "The income approach analyzes a property's capacity to generate future benefits in order to provide a conclusion of property values. These future benefits include the income generated by the property during ownership and the reversion amount at the end of ownership. In this approach, the capitalization of the property's net

Page 40

operating income indicates the present value of the property. Like the sales comparison and cost approaches, this approach is based on market-derived data."
Correct?
A. Yes.
Q. And then the next paragraph describes the different steps of the approach; correct?
A. Yes.
Q. And this is the approach that both you and Mr. Bradley used for the fee simple analysis income approach?
A. That's correct, yes.
Q. And here, looking at the numbers for your income approach, you use the seven percent capitalization rate here; is that correct?
A. Yes.
Q. And that's the same rate that you used for the leased fee interest income approach; correct?
A. For the discount rate, yes.
Q. So being as how the value of the income approach using this method is 14 million, how would a market participant ensure that they get that 14 million dollars in a rent stream?
A. Well, if you're asking if there's no reversion -- are you asking if there's no reversion?